

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CEA-01 CIAE-00 COME-00
EB-07 FRB-03 INR-07 NSAE-00 EPG-02 SP-02 STR-04
TRSE-00 LAB-04 SIL-01 OMB-01 AGRE-00 IGA-02 EA-07
NEA-10 ARA-10 /092 W
-----014431 201743Z /47

R 201619Z JUN 77
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 0365
INFO ALL EC CAPITALS
USMISSION GENEVA

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USEEC

PARIS ALSO FOR OECD
DEPT. PASS AID

E.O.11652: N/A
TAGS: EAID, EEC
SUBJECT: JUNE 16 EC DEVELOPMENT COUNCIL - LITTLE
PROGRESS; COMMISSION TO GO AHEAD WITH AID TO
NON-ASSOCIATED COUNTRIES.

REF: (A) EC BRUSSELS 5679, (B) EC BRUSSELS 2887,
(C) EC BRUSSELS 5584

1. SUMMARY: THE MARCH 26 EC DEVELOPMENT COUNCIL IN
LUXEMBOURG MADE NO PROGRESS ON THE FOLLOWING COMMISSION
PROPOSALS: 1) 1977 FOOD AID ALLOCATIONS; 2) A MEDIUM-
TERM INCREASE IN EC FOOD AID; 3) A REGULATION CONCERNING
THE ALLOCATION OF EC AID TO NON-ASSOCIATED COUNTRIES; AND
4) COORDINATION OF RURAL DEVELOPMENT AND FOOD POLICIES.
THE COUNCIL, HOWEVER, DID AGREE THAT THE COMMISSION
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SHOULD DRAW UP AID PROJECTS FOR NON-ASSOCIATED COUNTRIES.
END SUMMARY.

2. EC COMMISSION AND PERMDEL OFFICIALS INFORM US THAT
THE DEVELOPMENT COUNCIL AUTHORIZED THE COMMISSION TO
DISCUSS WITH LDCS SPECIFIC PROJECTS FOR THE USE OF THE
45 MILLION UNITS OF ACCOUNT (ABOUT \$54 MILLION) OF EC

DEVELOPMENT AID TO NON-ASSOCIATED COUNTRIES. THE COMMISSION HAD PRESENTED A LIST OF SUGGESTED RECIPIENTS; THE BULK OF THE AID WOULD GO TO THE INDIAN SUB-CONTINENT. IT HAD PROPOSED NEW PROGRAMS TO THAILAND, VIET-NAM, THE ANDEAN GROUP AND THE CENTRAL AMERICAN COMMON MARKET. THE FRG, HOWEVER, SUGGESTED THAT THERE SHOULD BE A COORDINATED VIEW ON RECONSTRUCTION AID TO VIET-NAM BEFORE UNDERTAKING AN EC AID PROGRAM THERE. COMMISSION OFFICIALS DO NOT KNOW IF THE EC WILL DROP VIET-NAM AS A POTENTIAL RECIPIENT. (COMMENT: IN ANY CASE, THE SRV PROGRAM WOULD ONLY BE A TOKEN AMOUNT, PROBABLY LESS THAN \$3 MILLION.) THE COMMISSION HAD PROPOSED GRANTING 80 PERCENT OF THE AID TO ASIA AND 20 PERCENT TO LATIN AMERICA AND ARAB COUNTRIES, SUCH AS NORTH YEMEN. SEVERAL MEMBER STATES PROPOSED GRANTING ADDITIONAL AID TO LATIN AMERICA IN ORDER TO DEMONSTRATE GROWING EC INTEREST IN THE REGION. COMMISSION OFFICIALS SAY THAT THE INTER-AMERICAN DEVELOPMENT BANK WILL LIKELY BE ADDED AS A RECIPIENT; THE EC WOULD PROVIDE A MODEST TECHNICAL ASSISTANCE GRANT TO THE IADB. THE COMMISSION WILL SUBMIT A LIST OF PROPOSED PROJECTS TO COREPER WHICH HAS THE COUNCIL'S AUTHORITY TO APPROVE THEM. COMMISSION OFFICIALS HOPE TO ALLOCATE THIS AID BY SEPTEMBER.

3. THE COUNCIL STILL COULD NOT AGREE TO A FRAMEWORK REGULATION WHICH WOULD ESTABLISH CRITERIA FOR SPENDING THE NON-ASSOCIATED AID. (SEE REF. B.) FRANCE OBJECTED LIMITED OFFICIAL USE

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BECAUSE IT WANTED TO AVOID THE INSTITUTIONALIZATION OF THIS AID PROGRAM. THE EUROPEAN PARLIAMENT HAS SUGGESTED THAT THE COMMISSION SHOULD HAVE SOLE AUTHORITY OVER THE ALLOCATION OF THE FUNDS, AND HAS ASKED THE COUNCIL TO CONSULT ON THIS MATTER, WHICH IT PLANS TO DO. DESPITE THE FRENCH OBJECTION, COMMISSION OFFICIALS BELIEVE THAT THEY WON THE DAY BECAUSE FRANCE DID AGREE TO THE AD HOC, ONE-TIME PROCEDURE OF THE COMMISSION SUBMITTING THIS YEAR'S PROJECTS TO COREPER. THE COUNCIL WILL TAKE UP AGAIN THE ISSUE OF THE CRITERIA FOR ALLOCATING AID TO NON-ASSOCIATED COUNTRIES.

4. EC OFFICIALS SAY THAT THE COUNCIL REACTED POSITIVELY TO THE COMMISSION PAPER (REF. A) POINTING OUT THE NEED FOR A LARGE-SCALE, LONG-TERM INCREASE IN FOOD AID. THE FRG AND ITALY, NEVERTHELESS, MAINTAINED RESERVATIONS REGARDING THE COMMISSION PROPOSAL TO INCREASE EC FOOD AID OVER A THREE-YEAR PERIOD. THE FRG PREFERS, INSTEAD, TO RELY PRIMARILY ON BILATERAL FINANCIAL AID WHICH, IT BELIEVES, WILL HAVE A GREATER DEVELOPMENTAL IMPACT THAN FOOD AID. COMMISSION OFFICIALS CONCLUDE THAT THEIR PROPOSAL IS ON DEAD CENTER AND NO ACTION IS EXPECTED IN THE FORESEEABLE FUTURE. THE COUNCIL ALSO DID NOT AGREE

TO THE COMMISSION 1977 BUTTEROIL AND SKIMMED MILK POWDER (SMP) FOOD AID PROPOSALS. (SEE REF. C.) THE UK, FRG AND ITALY OBJECTED TO THE PROPOSED 45,000 MT SMP RESERVE. IN ADDITION, THE COUNCIL FOOD AID GROUP HAD NOT FINISHED ITS REVIEW OF COUNTRY ALLOCATIONS.

5. AT THE SUGGESTION OF THE UK CHAIRMAN, MINISTER OF OVERSEAS DEVELOPMENT HART, THE COUNCIL DISCUSSED A COMMISSION PAPER ON EC OBJECTIVES IN PROMOTING RURAL DEVELOPMENT IN THE LDCS. IT SUGGESTED THAT THE EC SHOULD ADOPT A COMPREHENSIVE APPROACH INCLUDING INCREASED FARM PRODUCTION, SOCIAL WELFARE AND HEALTH

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CEA-01 CIAE-00 COME-00
EB-07 FRB-03 INR-07 NSAE-00 EPG-02 SP-02 STR-04
TRSE-00 LAB-04 SIL-01 OMB-01 AGRE-00 IGA-02 EA-07
NEA-10 ARA-10 /092 W
-----014464 201743Z /47

R 201619Z JUN 77
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MEASURES, SMALL-SCALE INDUSTRY AND A SOCIAL SYSTEM TO MAKE RURAL LIFE ATTRACTIVE AND WORTHWHILE. EC OFFICIALS DESCRIBED THE COUNCIL'S DISCUSSION AS DESULTORY AND NON-CONCLUSIVE. (THE MISSION HAS A COPY OF THE PAPER WHICH IT IS SENDING TO EUR/RPE - MC LEAN AND AID/AF - COOK.)

6. COMMISSIONER CHEYSSON INTRODUCED A PAPER WHICH THE COUNCIL HAD PREVIOUSLY REQUESTED ON THE RECIPROCAL IMPLICATIONS OF DEVELOPMENT AND OTHER POLICIES, PARTICULARLY EC INDUSTRIAL AND ECONOMIC POLICIES. THIS DISCUSSION PAPER NOTES POTENTIAL CONFLICTS BETWEEN EC TRADE PROMOTION, COOPERATION AND TRADE LIBERALIZATION POLICIES, AND EC GOALS CONCERNING EMPLOYMENT, RESEARCH AND DEVELOPMENT, AND RESTRUCTURING INDUSTRY.

THE COUNCIL WILL TAKE UP THIS PAPER AT A LATER DATE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NONALIGNED NATIONS, COMMITTEE MEETINGS, FOREIGN ASSISTANCE PROGRAMS, REGIONAL ORGANIZATIONS
Control Number: n/a
Copy: SINGLE
Sent Date: 20-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BRUSSE06369
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770219-0982
Format: TEL
From: BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770641/aaaabjpd.tel
Line Count: 172
Litigation Code IDs:
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Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 675b827a-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 EC BRUSSELS 5679, 77 EC BRUSSELS 2887, 77 EC BRUSSELS 5584
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2099978
Secure: OPEN
Status: NATIVE
Subject: JUNE 16 EC DEVELOPMENT COUNCIL - LITTLE PROGRESS; COMMISSION TO GO AHEAD WITH AID TO NON-ASSOCIATED COUNTRIES.
TAGS: EAID, EEC
To: STATE USOECD MULTIPLE
Type: TE
vdkgvkey: odb://SAS/SAS.dbo.SAS_Docs/675b827a-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009